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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 2418

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 4904

RUEHBJ/AMEMBASSY BEIJING PRIORITY 2668

RUEHKO/AMEMBASSY TOKYO PRIORITY 2533

RUEHIT/AMCONSUL ISTANBUL PRIORITY 3148

RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

C O N F I D E N T I A L ASHGABAT 000301

SIPDIS

SCA/CEN; EEB

PLEASE PASS TO USTDA DAN STEIN

ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: DECL: 03/05/2019

TAGS: [PGOV](#) [EINV](#) [EPET](#) [TX](#)

SUBJECT: TURKMENISTAN: U.S. OIL AND GAS EQUIPMENT FIRM

HOPING GOVERNMENT WILL PAY UP

Classified By: DCM Sylvia Reed Curran for reasons 1.4 (b) and (d).

¶1. (C) Poloff met on March 4 with Cameron country manager Gurban Seyitli to hear how things were going for the US-based oil and gas equipment company. Seyitli said the company's main contracting partner here is Turkmen State Oil Concern, for whom he claimed Cameron currently provides for 75 percent of their technical needs. The company has also periodically contracted with Turkmen State Gas Concern and Turkmen State Geological Corporation. He said that Cameron competes with only two other companies for surface field development equipment. Cameron is deeply interested in helping the Turkmen government develop two other promising oil field areas: the Dervaza fields several hundred kilometers north of Ashgabat in the Karakum Desert, and those just a short distance northwest of Ashgabat, he said.

¶2. (C) In November 2008, Turkmen State Oil Concern's vice president for production told Cameron representatives that, based on the company's established reputation, the Concern would contract with Cameron without a tender in a deal worth \$56 million. Cameron executives in Germany and the U.S. were surprised and pleased with the deal that their little office of four people in Ashgabat successfully closed. In 2009, Seyitli said, his primary business development goal will be to contract with the Turkmen government to provide Cameron's artificial lift system technology, which helps get oil out of the ground at old, established fields by introducing an artificial source of pressure at the wellhead. Senior Cameron executives will be coming to Turkmenistan the week of March 16 to assist with a presentation on the technology in the Oil Concern's Balkanabat office, he said.

¶3. (C) Seyitli also said that the company has become quite concerned, however, by the Oil Concern's failure to initiate payment on the 2008 contract, and the Concern also owes Cameron money associated with a smaller \$20 million contract. He said the Concern had not made payments on either contract since November 2008, and believes the problem lies in the Concern's difficulties selling its crude oil abroad. Both

Turkmen Oil and Turkmen Gas are financed by their earnings from oil and gas exports, respectively, but because of the drop in global oil prices, in particular, Turkmen Oil immediately began to have financial difficulties, he said.

¶14. (C) Seyitli described Cameron's technology as "the most expensive, but also the most high quality technology of its kind" available, and said landing contracts here was always difficult, because the poorly-educated government officials he deals with do not understand most of what the company does, and they only look at the cost page. He said that he was able to reinforce with officials the importance of quality after a serious blow out on December 27 destroyed an oil rig and injured three people at a field near Apatlawuk, near the Iranian border on the Caspian coast. Although a German company, Bentek, had been operating the rig, all of the equipment was of a cheap Russian make. Seyitli opined that the Turkmen would regret the use of cheap Russian and Chinese equipment on their oil and gas fields, because of the costly damage it risked. The destruction of that rig, he said, had probably cost the Turkmen State Oil Concern director his job in January.

¶15. (C) COMMENT: This is the second time post has heard companies express concern about the Oil Concern failing to pay on its contracts. If, indeed, the Concern is cash-poor, the pace at which the government signs contracts with foreign service companies it wants to entrust with field development in the near term will be slow, if at all. END COMMENT.

MILES